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In re the Application of: SILVERMAN, John Edward	Date: 4 June 2003
Serial Number: 09/353,723	Group Art Unit: 3628
Filed: 14 July 1999	Examiner: KANOF, Pedro R.
For: "Process for Managing Ownership of a Valuable Item"	Atty. Dkt. No.: 2260-010

Assistant Commissioner For Patents
Washington, D.C. 20231

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APPELLANT'S BRIEF

Dear Sir:

This Brief is filed pursuant to a Notice of Appeal mailed 24 April 2003 in the matter of the above-identified application.

(1) Real Party In Interest

John Edward Silverman is the real party in interest of this application.

(2) Related Appeals And Interferences

Appellant is aware of no related application that will directly affect or be directly affected by or have a bearing on the Board's decision in the present appeal.

(3) Status Of Claims

Claims 1-20 are on appeal. APPENDIX I provides a clean copy of the claims on appeal. Claims 1-5 and 16-19 stand rejected under 35 U.S.C. 103 as being unpatentable over *Walker et al.*, U.S. Patent No. 6,208,978 (hereinafter *Walker*) in view of *Zervides et al.*, U.S. Patent No. 6,052,674 (hereinafter *Zervides*). Claims 6-10 stand rejected under 35 U.S.C. 103(a) as being unpatentable over *Walker* in view of *Zervides*, and further in view of *Becker et al.*, U.S. Patent No. 5,983,238 (hereinafter *Becker*). Claims 11-14 stand rejected under 35 U.S.C. 103(a) as being unpatentable over *Walker* in view of *Zervides*, and further in view of *Halladay et al.*, The Handbook of Equipment Leasing, Amembal & Halladay, UT, 1995 (hereinafter *Halladay*). Claim 15 stands rejected under 35 U.S.C. 103(a) as being unpatentable over *Walker*, in view of *Zervides*, and further in view of *Graff*, U.S. Patent No. 6,192,347. Claim 20 stands rejected under 35 U.S.C. 103(a) as being unpatentable over *Walker*, in view of *Zervides*, further in view of *Graff*, and further in view of *Halladay*.

APPENDIX II provides copies of the *Walker*, *Zervides*, *Becker*, and *Halladay* references. The *Graff* reference has not been provided due to it's voluminous number of pages, and because it is of less relevance to the rejections of the claims.

(4) Status Of Amendments

No amendments have been filed subsequent to a second rejection dated 11 February 2003.

(5) Summary Of Invention

The invention defined by the claims involved in this appeal relates to processes used to control the ownership of valuable items. Referring to FIG. 1 and Appellant's specification at page 6, line 20, through page 7, line 12, a merchant 12 leases an item 10 for a lease term to a customer 14. The subject of the lease is a non-depreciating valuable item 10, such as jewelry which may include a gemstone 16 that is desirably of high enough value that theft of such would be a felony.

Referring now to FIGs. 3 and 5, an ownership management process 32 is practiced with the aid of a computer system 18 (shown in FIG. 2) having access to a database 38, which includes data describing any number of leases. In general, the ownership management process 32 performs activities associated with primary transactions (task 34), issuing monthly statements (task 119), receiving and posting payments (task 126), issuing past due and/or default notices, and managing forced and voluntary lease termination activities (tasks 154 and 160).

As discussed on page 9, lines 10-21, for the purposes of the present invention, a primary transaction is a transaction between merchant 12 and customer 14 which does not involve the use of reserve credit account (RCA) funds, discussed below. In contrast, secondary transactions involve the use of RCA funds.

When a primary transaction is occurring (task 34), an item-leasing segment 36 of process 32 is performed. A flow chart of item-leasing segment 36 is shown in Fig. 4, and is discussed in

detail beginning on page 9, line 28 of Appellant's specification. In general, the item-leasing segment 36 performs tasks associated with collecting customer identification data 42 (task 40), verifying the credit worthiness of customer 14 (task 48), performing a gemstone identification process (task 66) to provide a data set which can be later used to physically identify gemstone 16, and obtaining insurance for loss or damage to item 10 (tasks 54-64). In particular, the insurance is obtained to limit risks to merchant 12 in connection with the primary transaction, but is paid for by customer 14. As such, a merchant 12 is named as a "loss payee" in the insurance policy to be taken out on item 10. The loss payee is the entity which receives an insurance pay-out in the event of the loss of or damage to item 10.

The item-leasing segment 36 of process 32 further performs tasks associated with establishing a reserve credit account (RCA) 70 for this primary transaction (task 68). The RCA 70 has three components including an unmatched contribution 74, matched contributions 76, and a matching contribution 78. Unmatched and matched contributions 74 and 76 are RCA funds voluntarily contributed to merchant 12 by customer 14. Such funds are voluntarily contributed because customer 14 has no contractual or other legal obligation to do so. Matching contribution 78 represents a register for funds contributed by merchant 12. In a preferred embodiment, matching contributions 78 are matched at a specified percentage rate by merchant 12, and usable as legal tender in a secondary transaction with merchant 12. In the preferred embodiment, that matching percentage is specified as being 10% per annum, or 0.8333% monthly, of matched contributions 76. This causes a further accumulation of funds

for the benefit of a customer 14 beyond those funds voluntarily contributed by the customer 14.

The item-leasing segment 36 further establishes a lease term (task 82), calculates an initial lease payment due (task 84), calculates late charges to be applied if needed (task 88), sets a purchase price (task 90), assigns a transaction date and lease number to this primary transaction (task 96), and a lease agreement is printed, executed and marked as being active (task 98).

As summarized in FIG. 6, once executed, the lease agreement obligates the customer to make periodic payments, enables the customer 14 to return the item 10 and be relieved of any further obligation to make lease payments to the merchant 12, bestows upon the customer 14 the option to purchase the item for the set purchase price, and enables the customer 14 to make voluntary contributions, in the form of unmatched contribution 74 and matched contributions 76 to the associated reserve credit account (RCA) 70 that is associated with the lease. The merchant also makes matching contributions 78 to the customer's reserve credit account 70 at a predetermined contribution rate.

Referring to FIG. 9 (discussed in detail beginning on page 24, line 29 of Appellant's specification) showing a continuation of the ownership management process 32, a query task 190 initiates activities associated with a secondary transaction related to some item, including but not limited to item 10. If item 10 is selected, then the secondary transaction may involve the purchase of item 10 at the purchase price previously set in a lease covering item 10. As such, customer 14 gets the benefit

of any appreciation in the fair market value of item 10. If another item is selected, this secondary transaction may be a lease transaction, a simple purchase, financing arrangement, or the like, with a purchase price being determined as of the date of the secondary transaction. The customer's RCA funds are reduced (task 196), up to the amount of funds which customer 14 needs to provide merchant 12 in the secondary transaction, and this amount is applied against the purchase price or initial lease payment for the subject item in the secondary transaction.

The ownership management process 32 also monitors for and manages inactive Reserve Credit Accounts (RCA's) 70 associated with leases that have been inactive for a predetermined duration, which is twenty-four months in the preferred embodiment. A refund of unmatched and matched contributions 74 and 76 is calculated (task 184), a penalty is set at 25% in the preferred embodiment, and the refund check is sent to customer 14. In addition, the matching contribution 78 is desirably not part of the calculated refund. The penalty and loss of matching contribution 78 in the refund motivate customers 14 to utilize their RCA's in making secondary transactions, and they provide a mechanism wherein merchant 12 maintains ultimate control over its liability accounts. No liability due to a customer RCA needs to extend for longer than twenty-four months following the inactivation of a lease.

(6) Issues

The following issues are presented for review:

1. Whether claims 1-5 and 16-19 are unpatentable under 35 U.S.C. §103 over *Walker* (U.S. Patent No. 6,208,978) in view of *Zervides* (U.S. Patent No. 6,052,674).
2. Whether claims 6-10 are unpatentable under 35 U.S.C. §103 over *Walker* in view of *Zervides*, and further in view of *Becker* (U.S. Patent No. 5,983,238).
3. Whether claims 11-14 are unpatentable under 35 U.S.C. §103 over *Walker* in view of *Zervides*, and further in view of *Halladay* (The Handbook of Equipment Leasing, Amembal & Halladay, UT, 1995).
4. Whether claim 15 is unpatentable under 35 U.S.C. §103 over *Walker* in view of *Zervides*, and further in view of *Graff* (U.S. Patent No. 6,192,347).
5. Whether claim 20 is unpatentable under 35 U.S.C. §103 over *Walker* in view of *Zervides*, further in view of *Graff*, and further in view of *Halladay*.

(7) Grouping Of Claims

It is appellant's position that claim 1 is separately patentable from all other claims on appeal.

It is appellant's position that claims 2-10 and 15-19 stand or fall together and are separately patentable from claims 1, 11-14 and 20.

It is appellant's position that claims 11-14 stand or fall together and are separately patentable from claims 1-10 and 15-20.

It is appellant's position that claim 20 is separately patentable from all other claims on appeal.

(8) Argument

Group 1, Claim 1

A second, non-final, Office Action dated 11 February 2003 rejected claim 1 as being unpatentable under 35 U.S.C. 103(a) over *Walker* in view of *Zervides*.

Walker discloses a system and method for issuing security deposit guarantees based on credit card accounts. *Walker* teaches that the system and method are useful where a credit card holder (i.e., a tenant/lessee) enters into a lease agreement with a landlord/lessor and the lease agreement requires a security deposit. Such lease agreements are common in connection with the leasing of real property, automobiles, cellular telephones, and the like.

The *Walker* system and method enable a tenant/lessee to get his/her credit card issuer to guarantee the security deposit to the landlord/lessor. Thus, the tenant/lessee need not accumulate the considerable funds required for the security deposit. At the same time, the landlord/lessor is provided assurances through the credit card issuer that the security deposit funds will be made available to the landlord/lessor if needed by the landlord/lessor at the end of the lease term. In return for providing the security deposit guarantee, the credit-card issuer will lower the tenant/lessee's credit limit and charge the tenant/lessee other processing fees that may be deemed appropriate. At the end of the lease, should the

landlord/lessor make a claim for security deposit funds, such security deposit funds will be given to the landlord/lessor by the credit-card issuer, and the credit card issuer will then modify the credit-card account of the tenant/lessee to reflect any security deposit funds transferred to the landlord/lessor.

Zervides teaches of an electronic commerce invoicing and collection system which provides the services of forwarding invoices to customers, distributing payment reminders, assessing surcharges in the cases of late payment, and assigning a portion of the late payment surcharges to a charitable cause.

Appellant's invention as defined in claim 1 recites a process for managing ownership of a valuable item involved in a first financial transaction between a merchant and a customer. To that end, claim 1 includes limitations directed toward leasing the item to the customer in the first financial transaction so that the customer is thereafter obligated to make periodic lease payments to the merchant, establishing a reserve credit account (RCA) for the customer with the merchant, and recording the accumulation of funds in the RCA in response to payments voluntarily given to the merchant by the customer after the first financial transaction. Claim 1 further includes engaging in a second financial transaction between the customer and the merchant after the first financial transaction, the second financial transaction involving one of the item and another item at the option of the customer. The second financial transaction causes funds recorded in the RCA to be reduced.

In a first Office Action, dated 24 April 2002, claim 1 was rejected in view of *Walker*. In the first Office Action, the

Examiner alleged that *Walker* discloses Appellant's invention of claim 1, and "interpreted the function of establishing a reserve credit account (RCA) as equivalent tho [sic] the *Walker's* security deposit." In a 22 July 2002 Amendment responsive to the first Office Action, Appellant argued that 1) *Walker* fails to teach or suggest the claim limitations of a reserve credit account (RCA), and 2) *Walker* fails to teach an RCA to which voluntary payments are made.

The second Office Action deems that the arguments in the 22 July 2002 Amendment were not persuasive. The second Office Action adds that "The Examiner's interpretation is based on the fact that the RCA has to function to create and maintain a reserve of financial resources that can be used in future transactions (Col. 2, lines 27-45)." The second Office Action does acknowledge that *Walker* fails to teach an RCA to which voluntary payments are made. However, the second Office Action now asserts that *Zervides* discloses such a step, and cites col. 3, lines 31-40, as a teaching thereof. The second Office Action then concludes that it would have been obvious to include such a step in *Walker* "in order to address payment delay problems and facilitate the trade operations."

Appellant agrees that the RCA can function to create and maintain a reserve of financial resources. However, that interpretation does not lead to the sweeping conclusion that the RCA and a security deposit are equivalent. The term "security deposit" is a well understood phrase. Indeed, *Walker* provides a definition at col. 6, lines 57-67, as follows:

"The term "security deposit", unless otherwise specified below, means the pledge of property, money, or

some additional obligation of a debtor or tenant to secure an obligation. Such a security deposit, as indicated above with regard to the definition of the term "merchant," would include money that a tenant deposits with a landlord to assure the landlord that the tenant will abide with the terms and conditions of an appropriate lease agreement. A security deposit also represents a fund from which the landlord may obtain payment for damages caused by the tenant during his occupancy of the property that was leased or rented."

If the Examiner's interpretation was proper, notwithstanding the above provided conventional definition of a security deposit, then many other common financial instruments could be considered equivalent to a security deposit. For example, under the Examiner's interpretation, savings accounts, checking accounts, stock portfolios, savings bonds, retirement funds, bars of gold, insurance policies, and so forth might also be considered a "reserve of financial resources". Obviously, these exemplary financial instruments are not security deposits, consistent with the well known meaning of the term "security deposit", as corroborated by *Walker*. This exemplary listing of financial instruments and their non-equivalency to a security deposit highlights the fallaciousness of the conclusory statement that a security deposit and the claimed reserve credit account are equivalent simply because "the RCA has the function to maintain a reserve of financial resources that can be used in future transactions." Consequently, Appellant respectfully asserts that the claimed reserve credit account (RCA) is not a security deposit as taught in *Walker*.

The second Office Action does acknowledge that *Walker* fails to teach of the accumulation of funds that results from payments made voluntarily after the first financial transaction, but indicates that in light of the alleged disclosure by *Zervides* it

would be obvious to include voluntary payments in *Walker*. However, the Examiner has provided no clear and particular line of reasoning to indicate why one skilled in the art would be motivated to make voluntary payments to some sort of security deposit fund after a lease transaction has been executed. Rather, the Office Action offers the broad conclusory statement that may, as far as understood, be directed to the subject of identifying a motivation. This statement alleges a motivation being to "quickly address payment delay problems and facilitate trade operations."

However, as affirmed by the Court of Appeals for the Federal Circuit, to support combining references in a §103 rejection, evidence of a suggestion, teaching, or motivation to combine must be clear and particular, and this requirement is not met by merely offering broad, conclusory statements about teachings of references *In re Dembiczak*, 50 USPQ2d 1614, 1617 (Fed. Cir. 1999). Accordingly, the Office Action statement alleging a motivation amounts to speculation and indicates that the requisite suggestion does not actually exist.

Appellant's invention of claim 1 is not obvious over the prior art of record because the prior art fails to provide some suggestion or incentive to combine reference teachings. As stated in *ACS Hospital Systems, Inc. v. Montefiore Hospital*, 221 USPQ 929, 932, 933 (Fed. Cir. 1984):

Obviousness cannot be established by combining the teaching of the prior art to produce the claimed invention, absent some teaching or suggestion supporting the combination. Under section 103, teachings of references can be combined only if there is some suggestion or incentive to do so.

Not only is there no suggestion or incentive to combine the reference teachings, but a hypothetical combination of the prior art simply does not resemble Appellant's claimed invention. As stated in In re Wood, 202 USPQ 171, 174 (C.C.P.A. 1979):

The test for obviousness is not whether the features of one reference may be bodily incorporated into another reference....Rather, we look to see whether combined teachings render the claimed subject matter obvious.

Walker fails to teach or suggest of any incentive for either the tenant/lessee to give voluntary payments of security deposit funds or the landlord/lessor to record the accumulation of security deposit funds following execution of the lease agreement (i.e., first financial transaction). Indeed, the idea of a tenant/lessee voluntarily increasing a security deposit by making additional payments after a lease transaction is executed is highly implausible, and certainly not obvious. The tenant/lessee would not wish to part with his or her already limited funds to make voluntary payments to a security deposit since voluntary payments following the execution of the lease transaction would serve no purpose. Nor would a landlord/lessor wish to take on the risk of entering into a lease agreement without the entire security deposit or security deposit guarantee being provided at or prior to execution of the leasing (i.e., first) transaction. In fact, *Walker* teaches as much at col. 6, lines 50-54.

Accordingly for the reasons set forth above, it is improper to modify *Walker* and *Zervides* to render obvious Appellant's invention of claim 1. Moreover, even if *Walker* and *Zervides* were somehow combined, the improper combination fails to render

the claimed subject matter obvious. *Zervides* is silent on the subject of "recording the accumulation of funds in said RCA in response to payments voluntarily given to said merchant by said customer after said first financial transaction" despite the Office Action allegations to the contrary. The passage from *Zervides* cited by the Examiner as an alleged teaching of Appellant's accumulating operation of claim 1 is provided as follows:

A voluntary payment charter has been implemented in the U.K. through which companies can make a "terms of trade" commitment and pledge to quickly address payment delay problems. The reward for becoming a signatory is permission to use the Voluntary Payment logo, a relatively weak point compared to the financial gain available when a customer withholds payment. While this charter has good intentions, it holds no legal weight nor does it provide significant incentive for large corporations to sign the charter and abide by its rules.

The Internet supplies confirmation in the form of an article entitled Recent initiatives on late payment, summarized from a story by Andre Lorenz, entitled 'Charter pledges to put curb on late payment' in the Sunday Times, page 2 of 4, downloaded from <http://www.globalidesasbank.org/BOV/BV-151.HTML> on 16 April 2003, and provided herewith in Appendix III.

The Charter (as taught by *Zervides* and affirmed in the attached article) merely indicates that those companies who are signatories of the charter commit to pledge and quickly address payment delay problems. As such, the Charter mentioned in the *Zervides* reference is not a teaching of Appellant's recording operation of claim 1. Consequently, an improper combination of the teaching of the voluntary payment charter of *Zervides* with *Walker*, fails to render obvious Appellant's invention of claim 1

because the hypothetical combination would not produce something that includes Appellant's recording operation of claim 1.

The Office Action further alleged that *Walker* discloses Appellant's operation of engaging in a second financial transaction between the customer and the merchant. The Office Action offers the conclusory statement that it's "inherent that the customer in the *Walker* invention could have performed any number of prior transactions before establishing with the merchant the RCA." The Office Action concludes that consequently *Walker* discloses that the second transaction occurs after the first financial transaction, involves one of the item and another item at the option of the customer, and the second financial transaction causes funds recorded in the RCA or security deposit to be reduced. The Examiner interprets that "one of the item" refers to the leasing transaction.

Claim 1 includes the limitation of leasing the item to the customer in the first financial transaction and engaging in a second financial transaction between the customer and the merchant after the first financial transaction, the second financial transaction causing funds recorded in the RCA to be reduced. The conclusory statement of inherency alleged in the Office Action appears irrelevant when claim 1 is considered as a whole. The allegation that the customer could have performed any number of prior transactions before establishing with the merchant the RCA is in no way clear and particular as to what these prior transactions might have been or how they relate to Appellant's claimed leasing the item in the first financial transaction and engaging in a second financial transaction after the first financial transaction.

Regardless of the intended purpose of the allegation that it is "inherent that the customer in the *Walker* invention could have performed any number of prior transactions before establishing with the merchant the RCA", as discussed in detail above, the *Walker* security deposit is not equivalent to Appellant's claimed RCA. Nor does *Walker* provide any suggestion or incentive for modifying the *Walker* process to include Appellant's claimed recording operation of claim 1. Furthermore, *Zervides* utterly fails to teach of Appellant's claimed recording operation.

Well established patent practice dictates that the prior art reference (or references when combined) must teach or suggest all the claim limitations. Accordingly, the failure to teach or suggest just one claim limitation in the prior art would necessitate the allowance of the claim. In this case, the prior art of record fails to teach or suggest more than one of Appellant's limitations of claim 1. Moreover there must be some suggestion or incentive in the prior art to combine the teachings of the prior art. Absent this suggestion or incentive, the combination is improper.

Appellant's claim 1 recites establishing a reserve credit account. The *Walker* security deposit is not equivalent to Appellant's claimed reserve credit account. Appellant's claim 1 further includes the limitation of recording the accumulation of funds in the RCA in response to payments voluntarily given to the merchant by the customer. Again, as discussed previously, nothing in the relied-upon prior art teaches or suggests Appellant's recording operation. Since neither *Walker* nor

Zervides suggest of Appellant's invention of claim 1, in particular, Appellant's establishing a reserve credit account and recording operations, a combination of the *Walker* and *Zervides* references cannot render obvious that which neither *Walker* nor *Zervides* teach. Moreover, there is no suggestion or incentive to modify *Walker* to something more closely resembling Appellant's invention that would cause the tenant/lessee to part with additional limited funds and/or cause the landlord/lessor to take on additional financial risk following the execution of a lease agreement.

For the reasons set forth above, no *prima facie* case has been made against Appellant's claims and the rejection of claim 1 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides* was improper. Accordingly, the Board is respectfully requested to reverse the rejection of claim 1 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides*.

Group 2, Claims 2-10 15-19

The 11 February 2003 Office Action rejected claims 2-5 and 16-19 under 35 U.S.C. §103(a) over *Walker* in view of *Zervides*. In addition, the Office Action rejected claims 6-10 under 35 U.S.C. §103(a) over *Walker* in view of *Zervides*, and further in view of *Becker* (U.S. Patent No. 5,983,238). The Office Action also rejected claim 15 under 35 U.S.C. §103(a) over *Walker* in view of *Zervides*, and further in view of *Graff* (U.S. Patent No. 6,192,347). *Becker* teaches of a gemstone identification tracking and recovery system. *Graff* teaches of a machine,

manufacture, and process for providing applied to financial analytical data automation, including pricing data, for the decomposition of property into separately valuable property rights.

Claims 2-10 and 15 depend directly or indirectly from claim 1. Accordingly, the rejection of claims 2-5 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides* is improper for the reasons set forth above in connection with group 1, claim 1. In addition, the rejection of claims 6-10 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides*, and further in view of *Becker* is improper for the reasons set forth above in connection with group 1, claim 1. Similarly, the rejection of claim 15 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides*, and further in view of *Graff* is improper for the reasons set forth above in connection with group 1, claim 1. Therefore, Appellant believes the rejections of claims 2-10 and 15 under 35 U.S.C. §103(a) to be overcome.

Independent claim 16 includes the above discussed limitations of group 1, claim 1 that were neither taught nor suggested by the cited prior art. That is, claim 16 recites limitations directed toward establishing a reserve credit account (RCA) for the customer with the merchant and registering the accumulation of funds in the RCA in response to voluntary payments received by the merchant from the customer after the first financial transaction. As such, the rejection of claim 16 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides* is improper for the reasons set forth above in connection with group 1, claim 1. Claims 17-19 depend from claim 16.

Consequently, the rejection of claims 17-19 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides* is also improper for the reasons set forth above in connection with group 1, claim 1. Therefore, Appellant believes the rejection of claims 16-19 under 35 U.S.C. §103 to be overcome. While claims 2-10 and 15-19 should be found allowable for the above-discussed reasons, additional reasons apply to specific claims.

With particular reference to claim 4, and ignoring the elements of claim 1 that are found in Appellant's specification but not in the prior art, the second Office Action cites *Walker* at col. 3, line 65, through col. 4, line 62, as being a teaching of Appellant's claimed further accumulation of funds in the RCA beyond the payments voluntarily given to the merchant by the customer. Nothing in the cited passage discusses further accumulating funds in the RCA beyond those funds voluntarily paid to the RCA by the customer. Rather, the cited passage merely summarizes the *Walker* process of enabling customers to utilize their credit card accounts to obtain a security deposit guarantee. In issuing the security deposit guarantee, the credit card issuing company may initiate a credit hold for a time period specified by the lease agreement, and may charge the credit card customer (i.e. tenant/lessee) a monthly or periodic fee to maintain the security deposit guarantee. The tenant/lessee can present the security deposit guarantee certificate to the landlord/lessor in lieu of a security deposit payment and thereafter take possession of the leased property, with no funds being transferred to the landlord unless the landlord makes a claim against the tenant/lessee.

To cite such a passage from *Walker* as a disclosure of

Appellant's limitation of claim 4 of recording a further accumulation of funds in the RCA beyond the payments voluntarily given to the merchant by the customer amounts to a mischaracterization of the prior art where the teaching of Appellant's specification is attributed to the prior art and the prior art is not considered for what it fully and fairly teaches to those skilled in the art.

The Office Action mischaracterizes a well known security deposit as being equivalent to Appellant's claimed RCA, even though *Walker* explicitly defines "security deposit." Moreover, there is no teaching or suggestion anywhere in the *Walker* reference of the security deposit funds or the security deposit guarantee increasing (i.e., accumulating) in any way. Indeed, the Office Action fails to provide evidence from the prior art or another line of reasoning to explain why one skilled in the art might be motivated to do so. It follows then, that there can be no suggestion or incentive for recording a further accumulation of funds beyond the payments voluntarily given to the merchant by the customer. The idea of the total amount of a conventional security deposit or security deposit guarantee increasing (i.e., accumulating) after a lease transaction is executed is highly implausible. This provides additional evidence supporting a finding of non-obviousness with respect to claim 4.

Claim 17, which depends from independent claim 16, includes limitations directed toward registering an accumulation of funds in the RCA beyond those funds voluntarily paid to the RCA by the customer. Thus, Appellant believes that claim 17 is not obvious for the reasons set forth in connection with claim 4.

With respect to claims 2 and 18, the Office Action apparently equates "transfer of property or other interest" as discussed in *Walker* at col. 6, lines 40-50, with the "option to purchase" recited in claim 2. *Walker* repeatedly teaches of the transfer of property or other interest as being in terms of leasing the property or interest. For example, *Walker* teaches of exemplary agreements such as a lease agreement between a landlord and tenant, leasing an automobile, and a cellular telephone contract in which security deposits are required to ensure contract compliance and/or safe return of transferred property. Those skilled in the art understand that possession of leased/rented property is transferred to the customer, but the customer does not purchase the property. This represents an impermissible hindsight reconstruction where Appellant's specification is being read into the prior art and the prior art is not being evaluated for what it fully and fairly teaches and suggests to those skilled in the art, thus providing strong evidence in support of reversal of an obviousness rejection of claims 2 and 18.

For the reasons set forth above, the rejection of claims 2-5 and 16-19 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides* was improper. In addition, the rejection of claims 6-10 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides*, and further in view of *Becker* was improper. The rejection of claim 15 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides*, and further in view of *Graff* was also improper. Accordingly, the Board is respectfully requested to reverse the rejections of claims 2-10 and 15-19 under 35 U.S.C. §103(a).

Group 3, Claims 11-14

The 11 February 2003 Office Action rejected claims 11-14 under 35 U.S.C. §103(a) over *Walker* in view of *Zervides*, and further in view of *Halladay*. *Halladay* teaches of issues faced by an early termination of a lease agreement, and the determination of what options, if any, will be granted to the lessee at lease expiration. These options include the purchase of the equipment, renewal of the lease, or return of the equipment.

Claims 11-14 depend directly or indirectly from claim 1. Accordingly, the rejection of claims 11-14 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides*, and further in view of *Halladay* is improper for the reasons set forth above in connection with group 1, claim 1. Therefore, Appellant believes the rejections of claims 11-14 under 35 U.S.C. §103(a) to be overcome. While claims 11-14 should be found allowable for the above-discussed reasons, additional reasons apply to specific claims.

With particular regard to claim 13, the Office Action alleges that *Walker* and *Zervides* disclose a method as claimed in claim 1. In addition the Office Action alleges that *Walker* also discloses sending statements from the [merchant] for the customer, the statement indicating quantities of funds recorded in the RCA or security deposit for the customer, and cites a passage at col. 20, lines 35-58, as such a disclosure.

Although the Office Action rejected claim 13 in view of a

combination of the *Walker*, *Zervides*, and the *Halladay* references, no indication is given as to how the *Halladay* reference relates to the rejection of claim 13. As such, an assumption is made herein that claim 13 is rejected in view of a combination of only *Walker* and *Zervides*.

The passage cited at col. 20, lines 35-58, of the *Walker* reference discloses claims in which a payment is made to a holder of a security deposit guarantee, the payment being less than the value of the security deposit guarantee. The passage further discloses claims directed toward a system for generating the security deposit guarantee based on an available line of credit corresponding to a credit card account.

The passage teaches of paying out a certain value of the security deposit guarantee from the credit card issuer (a third party) to the security deposit guarantee holder (i.e., the landlord/lessor). It may be speculated that the tenant/lessee will eventually receive a statement from the credit card issuer (the third party) that such a payment has been made to the landlord/lessor. However, this is not a teaching or suggestion of occasionally sending statements from the merchant (i.e., the *Walker* landlord/lessor) to the customer (i.e., the *Walker* tenant/lessee). Furthermore, *Walker* fails to provide any suggestion or incentive for occasionally sending statements from the merchant (landlord/lessor) to the customer (tenant/lessee) indicating quantities of funds recorded in a security deposit guarantee. The merchant would have no need to take on this arduous accounting task because the third party (i.e., the credit card issuer) is readily able to keep the customer apprised of the remaining portion of the security deposit. As

such, *Walker* and *Zervides* cannot be combined to produce something resembling Appellant's invention of claim 13.

With respect to claim 14 which depends from claim 13, claim 14 includes a further limitation that the statements additionally indicate funds needed to purchase the item by the customer from the merchant. The Office Action alleges that *Walker* and *Zervides* disclose a method as claimed in claim 13, but do not explicitly disclose the subject matter of claim 14. The Office Action further alleges that *Halladay* discloses indicating the funds needed to purchase the item by the customer from the merchant, and cites pages 843-845. The Office Action concludes that it would have been obvious to "include such a step in the *Walker* and *Zervides* invention."

The Office Action offers the broad conclusory statement that may, as far as understood, be directed to the subject of identifying a motivation. This statement alleges a motivation being to "include in the funds needed to purchase the item by the customer in order to communicate to the client the status of his leasing business, and to minimize customs' requests." The cited passage does teach of three common types of purchase options for those leases that include a right by the lessee to purchase the equipment at lease expiration. However, the cited passage does not indicate that this information is available on a statement. As discussed in connection with claim 13, *Walker* provides no suggestion or incentive for occasionally sending statements from the merchant (landlord/lessor) to the customer (tenant/lessee) indicating quantities of funds recorded in security deposit guarantee.

Moreover, consistent with the definition of the phrase "security deposit guarantee", taught by *Walker*, the security deposit guarantee is used to assure the landlord/lessor that the tenant/lessee will fulfill his or her lease obligations, and enables the landlord/lessor to receive payment for damages to rented properties from a third party (i.e., the credit card issuer). Consequently, any statement from the third party (credit card issuer) could not include an indication of the funds needed to purchase the item, since the third party is not likely to be privy to the purchase price of the item. Rather, the third party is privy to the amount of funds promised as the security deposit guarantee. Accordingly, a combination of the *Walker*, *Zervides*, and *Halladay* references cannot be combined to produce something resembling Appellant's invention of claim 14.

For the reasons set forth above, the rejection of claims 11-14 under 35 U.S.C. §103(a) as being unpatentable over *Walker* in view of *Zervides*, and further in view of *Halladay* was improper. Accordingly, the Board is respectfully requested to reverse the rejection of claims 11-14 under 35 U.S.C. §103(a).

Group 4, Claim 20

The 11 February 2003 Office Action rejected claim 20 under 35 U.S.C. §103(a) over *Walker* in view of *Zervides*, further in view of *Graff*, and further in view of *Halladay*.

Independent claim 20 includes the above discussed limitations of group 1, claim 1 that were neither taught nor suggested by the cited prior art. That is, claim 20 recites limitations directed toward establishing a reserve credit account (RCA) for

the customer with the merchant and recording the accumulation of funds in the RCA in response to voluntary payments received by the merchant from the customer. As such, the rejection of claim 20 under 35 U.S.C. §103 as being unpatentable over *Walker* in view of *Zervides*, further in view of *Graff*, and further in view of *Halladay* is improper for the reasons set forth above in connection with group 1, claim 1.

In addition, the operation of recording the accumulation of funds includes the limitation of the funds accumulating to quantities greater than the total of the payments voluntarily given the merchant by the customer. As discussed above in connection with group 2, claims 2-10 and 15-19, and with particular reference to claim 4, *Walker* utterly fails to teach or suggest of the funds accumulating in a security deposit to quantities greater than the total of the payments (i.e., beyond those) voluntarily given to the merchant by the customer. As discussed previously, there is no teaching or suggestion anywhere in the *Walker* reference of the security deposit funds or the security deposit guarantee increasing (i.e., accumulating) in any way. Moreover, the Office Action fails to provide evidence from the prior art or another line of reasoning to explain why one skilled in the art might be motivated to do so. It follows then, that there can be no suggestion or incentive for the funds accumulating to quantities greater than the total of the payments voluntarily given to the merchant by the customer. The idea of the total amount of a conventional security deposit or security deposit guarantee increasing (i.e., accumulating) after a lease transaction is executed is highly implausible. As such, the rejection of claim 20 under 35 U.S.C. §103 as being unpatentable over *Walker* in view of *Zervides*,

further in view of *Graff*, and further in view of *Halladay* is also improper for the reasons set forth above in connection with group 2, claims 2-10 and 15-19.

Furthermore, independent claim 20 includes the above discussed limitation of group 3, claim 13, of sending statements from the merchant to the customer from time to time, the statements indicating quantities of funds recorded in the RCA for the customer. As such, the rejection of claim 20 under 35 U.S.C. §103 as being unpatentable over *Walker* in view of *Zervides*, further in view of *Graff*, and further in view of *Halladay* is also improper for the reasons set forth above in connection with group 3, claims 11-14.

Conclusion

Claims 1-20 are included in this appeal. The rejection of claims 1-5 and 16-19 as being unpatentable under 35 U.S.C. §103(a) over *Walker* in view of *Zervides* is believed improper. Likewise, the rejection of claims 6-10 as being unpatentable under 35 U.S.C. §103(a) over *Walker* in view of *Zervides*, and further in view of *Becker* is believed improper. In addition, the rejection of claims 11-14 as being unpatentable under 35 U.S.C. §103(a) over *Walker* in view of *Zervides*, and further in view of *Halladay* is believed improper. The rejection of claim 15 under 35 U.S.C. 103(a) as being unpatentable over *Walker*, in view of *Zervides*, and further in view of *Graff* is also believed improper. The rejection of claim 20 under 35 U.S.C. 103(a) as being unpatentable over *Walker*, in view of *Zervides*, further in view of *Graff*, and further in view of *Halladay* is believed improper as well. The *Walker* security deposit is not equivalent to Appellant's reserve credit account (RCA) as urged by the

Examiner. In addition, the references made of record in this case fail to provide any suggestion or motivation supporting the combination urged by the Examiner. That is, *Walker* fails to suggest or provide incentive for recording (or registering) the accumulation of funds in a security deposit in response to payments voluntarily given to the merchant by the customer. Moreover, if the *Walker* and *Zervides* teachings were somehow combined, the improper and hypothetical combination would not resemble Appellant's invention because *Zervides* fails to suggest anything resembling Appellant's recording/registering operation of the independent claims. At most, the references made of record in this case are silent upon the subject of RCA's and the recordation of the accumulation of funds in the RCA in response to payments voluntarily given to the merchant by the customer. However, silence from prior art references is an improper standard for holding claims to be unpatentable.

Appellant believes that the arguments above fully respond to every outstanding ground of rejection and that the contested claims should be found allowable.

Respectfully submitted,

A handwritten signature in black ink, reading "Lowell W. Gresham", with a long horizontal line extending to the right.

Lowell W. Gresham
Attorney for Applicant
Reg. No. 31,165